L5150-2

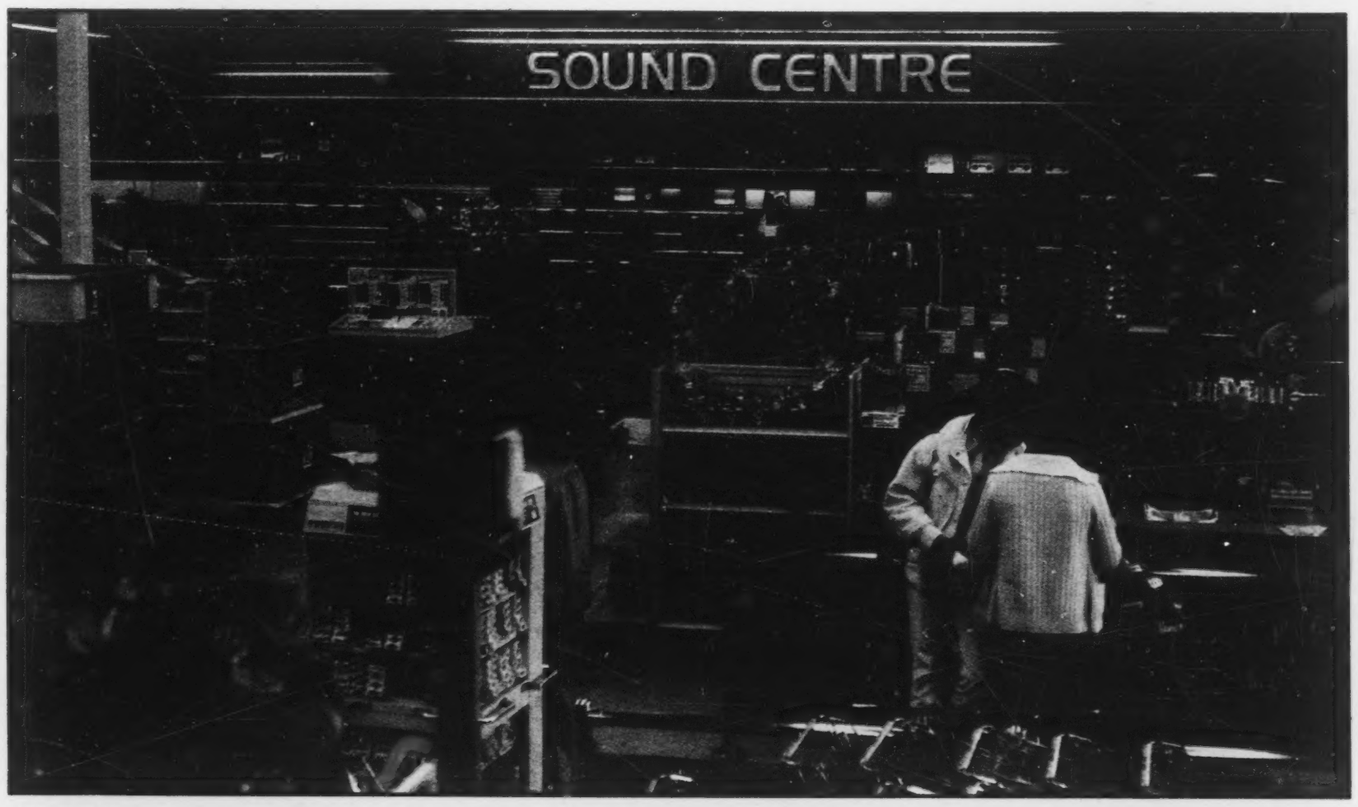
Merchandising Trends:
School supplies feature year-round appeal—p. 12

C.E. Lesson:
Traveler's diarrhea—p. 27

Inside Pharmacy:
Rx price differentials stir APhA debate—p. 21

DRUG STORE NEWS

Vol. 8/No. 6 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. March 17, 1986



Pay 'n Save's new planogram emphasizes gondolas that grow taller as they radiate from store's center to walls, making key departments instantly visible to shoppers.

Pay 'n Save set to revamp stores

Prototypes aim to spark sales

By Lou Karney

SEATTLE — In a dramatic move to rejuvenate sales and profits, Pay 'n Save has unveiled a new prototype for its existing stores.

The first to be reformatted is the 23,000-sq.-ft. store in Woodinville, 10 miles east of here.

All 108 Pay 'n Save stores (in Washington, Idaho, Alaska, Hawaii, California, Montana and Wyoming) will be revamped in Woodinville's image by this fall.

Pay 'n Save is also working on a new prototype for future stores. All stores to be built from the ground up starting either in late 1986 or early 1987 will incorporate the best elements of the new model for existing stores. The exact size of this new prototype is still being determined.

Key elements of the existing-store prototype include:

- Race track layout/"stadium presentation."
- Promotional tables for closeout merchandise, including discontinued items, overruns and special buys.

*See **Pay**, page 32*

Retailers remerchandise after J&J capsule pullout

By Marjorie Shaffer

NEW YORK — Many of the nation's drug retailers are remerchandising their analgesic and cough/cold sections following the Feb. 17 announcement by Johnson & Johnson that it would discontinue sales of all of its over-the-counter medications in capsule form.

See related stories, page 3.

Johnson & Johnson, whose McNeil subsidiary manufactures Tylenol, stepped up production of its noncapsule lines —caplets and tablets—one week after the discovery that a cyanide-laced Extra Strength Tylenol capsule had killed a 23-year-old woman in Westchester County, N.Y.

Retailers scrambled to fill the empty space left by the removal of the McNeil capsules, and many drug chains chose to add extra facings of private label acetaminophen products.

Among the major developments:

- Giant food chain, based in Landover, Md., posted shelf stickers in its stores in the analgesic section stating: "For your information, Giant Ex-Prin extra-strength capsules and Giant Ex-Prin tablets are manufactured by Pennex Products Co., Ind., and not by McNeil Labs. Inc./Johnson & Johnson."
- Eckerd said private label acetaminophen sales had increased since the poisoned Tylenol tragedy, with caplets and tablets outselling capsules. The chain put other Tylenol products in the space

*See **Pullout**, page 32*

Supermarket pharmacy profile

- 63% are in new stores; only 37% added to older stores
- 82% measure 300-600 sq. ft.
- Typically fill 85 prescriptions a day
- Account for 1% of store space, 1.2% of sales and average 30% gross margins.
- Prescription drugs account for 77% of sales; non-Rx, 23%.

Source: Food Marketing Institute, 1985.

6 combos planned

Publix eyes Rx's

By David Vaczek

LAKELAND, Fla. — Publix Super Markets, the nation's 10th largest supermarket chain, is preparing to set up a beachhead in the pharmacy business, with plans to open six food/drug combo stores this year.

The new stores, to be called Publix Food and Drug, will be 56,000 sq. ft., which is 15,000 sq. ft. larger than Publix' superstores. The combos will feature expanded nonfood categories and emphasize H&BA and cosmetics, according to company officials and industry sources.

The 292-store chain has one store under construction in Tampa; one in Longwood, an Orlando suburb; and one in Fort Lauderdale's Broward County.

Publix' aggressive entry into the food/drug combo store business will also include opening two more stores in Tampa and one more in Orlando in 1986, and the eventual pursuit of "every reasonable site that lends itself to a combination store," said Publix president Mark Hollis.

Hollis said the stores' pricing will be "competitive with

*See **Publix**, page 32*

SDM maps major expansion

By Liz Parks

TORONTO — After two years of flat store growth, Shoppers Drug Mart is planning aggressive expansion in all of its retail divisions.

Canada's leading drug chain operator, which is celebrating its 25th anniversary year, is planning to add another 30 stores to its 435 Shoppers Drug store division within the next 12 months, plus the company plans to expand its deep discount stores, its drug/convenience food stores, its drug/home health care stores and its Pharmaprix conventional drug store division in Quebec Province.

Shoppers, which is expect-

*See **SDM**, page 32*

Shoppers Drug will open at least 50 Food baskets in the next five years.

STOP & SHOP COS. has placed its 67-unit Medi Mart drug store chain on the selling block. The chain "really hasn't succeeded in achieving a position we wanted it to achieve in the drug store business," a spokesman said.

Side effects hinder compliance by hypertensives

See page 23

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Longs' earnings drop seen as temporary

By Al Heller

WALNUT CREEK, Calif. — For one day, investors felt Longs came up short.

But Longs officials explained that 30% lower earnings in the fourth quarter ended Jan. 30, to $8.7 million, were partly the result of one less week in the period, plus store expansion and MIS expenses that'll strengthen merchandising and operations at the 208-store chain.

Higher insurance costs and a LIFO charge in excess of $1 million also impacted earnings, the company said.

On the day of the report, Feb. 24, Longs' common stock fell 3¼ points to 28⅛, or 10.4%, but recovered 1⅝ the next day and finished the week at 28¾.

The 0.5% increase in sales during the Christmas quarter, to $418 million, reflects a slack sales picture in California, where most Longs stores are, and one week less in the period.

Competitors, analysts and other market sources pointed to the 6-month-old California state lottery as a recent drain on retail sales. They also felt that Longs would be particularly vulnerable in the first few months of 1986 because of the chain's stress on general merchandise sales. They said consumers were pulling in their purse strings to pay for their holiday season credit purchases.

Robert Barry, vp-marketing at Thrifty Jr., said, for instance, that his chain's sales "aren't what we anticipated. If we targeted, say, an 8% increase, some of our areas may be at about 5%."

"California isn't recession-proof anymore," he added, noting intense promotions by department stores to clear inventory before New Year's Day, computer industry softness and "beach weather" that's keeping people out of stores.

Longs is apparently taking a long-term view to counter current sales sluggishness. Rather than mandate sweeping changes in merchandising strategy, Phil Paz, vp-merchandising, said "districts will react according to local need. Some may become more promotional and advertise more, others may alter assortments."

Sutro analyst Jonathan Ziegler said Longs' stepped-up computer installation schedule will help the chain control expenses. Longs has installed Hewlett Packard 3000 microcomputers in 155 stores, and computers will be chainwide by mid-1986, when Longs expects to have 210 stores.

Pharmacy management, which uses about half the computer capacity, is the chain's MIS priority—not only to process prescriptions faster, but to alert pharmacists to any possible interaction of drugs, particularly for patients who may have prescriptions from several different doctors, said vp-administration William G. Combs.

He said that the chain's first three Colorado stores are "meeting expectations," noting it's too early to determine their eventual performance. Longs plans a fourth there in 1987. Two of those stores opened in mid-November, at 25,000-27,000 sq. ft., and were among 10 opened chainwide in the fourth quarter.

The third Colorado store opened Jan. 29.

Longs earnings drop
(in millions $)

	1st quarter		2nd quarter		3rd quarter		4th quarter		Full year	
	Net inc.	Sales	Net inc.	Sales	Net inc.	Sales	Net inc.	Sales	Net inc.	Sales
52 weeks ended 1/30/86	$9.4	$347.8	$10.9	$355.8	$8.7	$359.3	$ 8.7	$418.0	$37.7	$1,480
53 weeks ended 1/31/85	8.5	307.1	$10.4	324.3	8.4	327.6	12.7	416.7	40.1	1,376

Source: Longs Drug Stores

FoxMeyer says disciplined buyouts won't alter under NI

DENVER — FoxMeyer's bulging cash position under National Intergroup (NI) won't alter the drug wholesaler's approach to takeover targets.

FoxMeyer is expected to become the primary growth vehicle of NI, which was tendering to acquire all of the wholesaler's common shares at presstime.

Although FoxMeyer may have at its disposal as much as $500 million to acquire drug wholesalers at the end of 1986, chairman William Tauscher told analysts in New York recently that his buyout criteria won't change.

He said FoxMeyer will continue to look for companies whose purchase price roughly equals their current operating earnings, including the impact of 25% expense reductions typically made in each of its acquired companies.

Acquisitions accounted for half of FoxMeyer's rapid sales surge to an anticipated $1.3 billion in the fiscal year ending March 31. Yet, the wholesaler's disciplined approach to buyouts and cost-cutting has led it to back away from a recent deal with a West Coast firm—reportedly the Trump Group's Northwestern Drug—because of incompatible business strategies, sources said.

Tauscher stressed to the Wall Street group that takeover targets must be able to be placed on FoxMeyer's computer system for electronic order entry, centralized purchasing, marketing and administration efficiencies.

He told *Drug Store News* that he recently rejected a

William Tauscher

deal to sell his computer system business, and he considers it a key way "to hopefully control the entire inventory pipeline" for retail customers.

When FoxMeyer re-enters the acquisition arena, after a planned nine-month respite to absorb recent takeovers and hatch its next moves, it will further speed consolidation of the drug wholesaling industry.

NI's tender offer for all 6.7 million FoxMeyer shares at $35 apiece, or $233 million, was due to expire March 12. The anticipated conversion of debentures into common would raise the buyout cost to $350 million.

Moreover, FoxMeyer has granted NI an option to buy an additional 1.233 million shares, about 18.5% of shares outstanding at presstime, at $31.375.

Antiporners move chains to review men's mags

In an attempt to retain customers upset by pornography, Peoples Drug Stores and Dart Drug have become the latest chains to reduce their involvement in men's magazines.

The companies are joining other chains that have backed out of the category in recent years, including Eckerd, which pulled all men's titles 18 months ago, and Rite Aid, which also reduced some titles in 1984.

Peoples was due to remove all such magazines from each of its 850 stores by the end of February; Dart is reviewing the category, with the likelihood of cutting titles by 50%.

Peoples projects that a $4 million corporatewide sale loss from the magazine cutback—less than ½% of total sales—will be recovered when boycotting antiporn customers return, said Joe Pollard, Peoples vp-advertising and public relations.

The latest action by the two East Coast chains is a response to increasing protests from customers and stepped up opposition from antipornographic groups, such as Citizens Against Pornography, which has been active in the Washington, D.C. market.

"We've seen a swing in the last 10 years from a very active free speech community to one that is more conservative or Christian-ethic based," said Stephen Hansbrough, chairman of the Dart Drug chain.

Peoples moved to pull the magazines after an avalanche of customer complaints, with 8 to 10 a day received at divisional offices in Alexandria, Va. Also, president Sheldon "Bud" Fantle cited a company survey that showed that the chains' customer base is more family-oriented, with a higher percentage of young people, Pollard said.

Peoples has carried 10 titles, including *Playboy* and *Penthouse*, with limited display in racks behind cash register counters.

Dart will pare its current 16-title assortment, but will continue to carry some items.

Both sides have stepped up lobbying in the nation's capital, where groups tend to be more vocal on citizen's rights issues, Hansbrough said.

"The market is to a large extent a litmus test to the country in general," said Hansbrough. "Things get blown out of proportion, but you can't ignore it."

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Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus extra Pharmacist's Reference issue in April, as well as an extra Annual Pharmacists Guide to OTC Patient Counseling in October, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: Infield subscribers, retailers and wholesalers, one year $19.50; two years $35. Out-of-field subscribers, manufacturers, schools, libraries and all others, one year $39. Single copy rate $2. Foreign subscriptions: Airmail only $125 per year.

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Vol. 8, No. 6 March 17, 1986

Dart's Hansbrough named to *DrSN* board

LANDOVER, Md. — Stephen Hansbrough, president and chairman of the 78-unit Dart Drug chain, has joined the *Drug Store News* Board of Advisers.

Like his co-board members, Mr. Hansbrough will be instrumental in enhancing the overall quality of *Drug Store News*' reporting by helping its reporting and management staff identify key trends within the retail drug community.

Hansbrough, who has been with Dart since 1975, was one of the major participants in a leveraged buyout of the company in June 1984.

Prior to the buyout, Hansbrough was senior vp of Dart Drug Corp. (now known as the Dart Group Corp.).

As Dart's senior vp, Hansbrough was responsible for all areas of operations, including distribution, management information systems, store operations and personnel.

He became president and chief operating officer of the newly formed drug company, Dart Drug Stores Inc., with the closing of the leveraged buyout in June 1984.

In October 1985, he assumed the additional responsibilities of chairman of the board and chief executive officer. He also holds the position of chairman of the board of Dart Drug Holdings Inc., a subsidiary corporation.

Prior to joining Dart, Hansbrough spent eight years with Peoples Drug Stores in Alexandria, Va.

Married to the former Christie Chamberlain Herron, Hansbrough, 39, has two children, Robert and Elizabeth. The family lives in Mitchellville, Md.

FINANCIAL

Cardinal reports $2.6M earnings

DUBLIN, Ohio — Cardinal Distribution reported higher net earnings and sales for the third quarter and nine months ended Dec. 28, 1985.

Earnings of $2.6 million in the third quarter compared to $1.2 million a year earlier, but included an after-tax gain of $1.1 million from last November's sale of a minority interest in its Mr. Moneysworth subsidiary.

Net sales in the quarter rose 17% to $113.7 million, up from $97.5 million a year earlier.

Gray Drug Fair '85 sales rise 8%

CLEVELAND — Sales for the Gray Drug Fair division of Sherwin-Williams were up 8% for the year ended Dec. 31, 1985.

Although the company did not break out its total sales for just the drug division, an 8% sales increase would give the division sales of approximately $675 million.

Profits were also up significantly for the division. Management said that Gray had a $6.6 million swing in operating profits, creating confidence that "1986 will be another year of improvement."

Management also said that although Gray Drug Fair fell short of internal budget projections, the company turned in a "respectable performance compared to last year's results." Last year, the division generated just $82,000 in operating profits, a decline of 99% over the year before. Sales for 1984 were $623.3 million, an increase of 8%.

The company also said that it was "significant" that the division also managed a gain in market share, an accomplishment that management called "extremely important for strengthening and providing for future performance."

Aggressive promotional programs and new stores were credited for most of the division's sales growth.

Commenting on 1985's results, John G. Breen, chairman, president and ceo, said that on balance, the company's performance "was a respectable one" even though it fell short of internal expectations, especially in sales goals.

Drug Systems' income dips

MILWAUKEE — Drug Systems announced lower revenues and earnings for the 12- and 40-week periods ended Jan. 4, 1986. Results were impacted by the company's disposition of White Drug Enterprises, a wholly owned subsidiary.

For the third quarter, revenues fell to $13.8 million from $29 million a year earlier, as net earnings slid to $434,000 from $584,000. For the three quarters, revenues were down to $68.5 million, compared to $81.7 million a year ago, as the company reported a net loss of $2.1 million compared to a $1.1 million net earnings gain in the same period a year earlier.

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 02/07/86 - 02/24/86							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change											Last Fiscal Year (Per Share)	
					Change		52-Week												Indicated Dvd. rate			Last Fiscal Year				
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.		Pct	5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$		%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																											
Am Stores	ASC	67.25	60.75	62.50	-3.75	-5.66	68.25	48.63	-.21	-1.27	2.17	-2.14	5.71	.86	N	19.5	34.0	1.5	11.9	.84	1.3	12-09-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	23.50	21.50	22.50	4.00	21.62	23.50	15.50	1.21	-.47	8.94	-45.00	1.26	.50	N	42.7	10.0	1.1	13.5	.72	3.2	01-14-86	66.1	.7	1.7	13.77	18.84
Big B	BIGB	16.00	13.75	14.63	-1.13	-7.14	19.50	13.00	-.37	-2.72	5.58	19.29	.68	.11	N	18.0	19.0	3.0	20.3	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	5.00	4.63	4.63	-.25	-5.13	6.13	3.75	-.55	-.36	-2.97	-31.82	.35	-1.02	N	-100.0	NC	1.2	NE	.50	10.8	01-06-86	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	31.00	29.63	30.88	.63	2.07	31.75	20.00	-.23	.01	-5.25	10.39	-.22	-2.61	Q	-100.0	NC	-.3	NE	1.04	3.4	09-09-85	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	10.13	9.75	10.13	.13	1.25	11.75	8.00	.05	-.20	-1.54	-9.63	.62	-.32	N	-48.5	30.0	2.4	29.8	.20	2.0	03-21-86	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	13.63	13.00	13.38	.00	.00	14.75	9.13	-.10	-.20	-1.73	.57	1.03	-.09	N	-8.7	41.0	1.9	14.1	.20	1.5	09-24-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	32.13	27.00	28.13	-2.63	-8.54	32.13	24.00	-.12	-2.70	7.12	56.26	1.88	.10	N	5.5	10.0	2.9	14.6	.72	2.6	08-27-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	4.50	3.75	3.75	-.25	-6.25	5.75	3.75	-.59	-.41	-5.69	11.11	.05	-.49	N	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Medicine Shoppe	MSII	25.00	23.25	25.00	2.75	12.36	26.00	21.00	.11	-.16	4.26	41.89	.84	.16	Q	22.5	49.0	22.4	28.7	.00	.0	00-00-00	13.4	3.0	9.2	.00	5.08
Perry Drug	PDS	17.13	15.13	15.50	-1.38	-8.15	18.75	11.19	-.22	-1.70	2.56	6.84	.98	.14	F	16.7	16.0	1.8	15.8	.19	1.2	09-11-85	521.6	9.6	1.5	1.60	7.07
Revco Drug	RDS	30.38	27.25	29.50	1.88	6.79	30.38	23.13	.02	-.17	4.31	-1.73	1.06	-1.50	S	-65.2	-5.0	1.6	36.9	.80	2.7	08-19-85	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	28.25	26.50	27.88	1.25	4.69	33.50	21.50	.17	.07	-1.80	-28.19	1.69	-.11	N	-6.7	8.0	4.8	18.1	.58	2.1	01-13-86	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	26.75	23.75	26.25	1.75	7.14	26.75	18.13	.03	.89	2.29	6.59	1.60	.19	Q	13.3	16.0	2.3	16.2	.64	2.4	02-04-86	1404.9	31.9	1.7	5.86	6.85
Walgreen Co	WAG	31.13	26.25	29.50	1.75	6.31	31.13	22.50	.25	.88	-3.65	-2.97	1.53	-.39	Q	-23.1	19.0	3.0	22.7	.50	1.7	02-11-86	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																											
Bergen Bruns	BBCA	35.50	32.50	35.50	3.00	9.23	35.50	21.41	.11	.53	.67	-9.27	1.82	.25	Q	15.9	15.0	1.0	19.5	.32	.9	01-28-86	2434.9	24.2	1.7	11.12	12.07
Bindley Wstn	BIND	12.00	10.38	11.63	1.50	14.81	15.00	7.75	.36	-1.00	.08	-26.29	.73	.15	N	23.4	23.0	.8	14.7	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	23.75	20.25	23.75	3.50	17.28	23.75	14.53	.35	-.36	1.65	-17.46	1.01	.46	N	46.5	NC	1.2	16.4	.08	.3	01-02-86	320.0	3.7	1.7	.94	8.85
Durr Fillauer	DUFM	14.13	13.00	14.13	1.38	10.78	15.25	9.25	.07	-.12	4.55	-18.56	.78	.04	F	5.4	13.0	1.4	18.1	.14	1.0	07-01-85	427.1	6.1	2.3	1.21	6.05
Foxmeyer Cp	FXM	34.88	34.50	34.75	.25	.72	34.88	20.75	1.79	-.25	3.72	-6.51	1.56	-.62	N	-29.8	27.0	1.3	23.8	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	20.88	19.00	19.38	-1.50	-7.19	23.25	14.06	-.81	.14	-.07	-26.16	.56	.14	S	35.0	NC	.2	35.9	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	57.00	53.38	56.88	3.38	6.31	57.00	39.00	.14	.62	1.01	-15.70	3.60	.38	N	10.9	-1.0	1.3	14.7	2.40	4.2	02-25-86	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	23.13	19.13	21.25	1.88	9.68	23.38	9.66	-.18	-1.06	5.33	28.47	1.02	.45	N	47.4	18.0	2.9	15.2	.00	.0	05-23-85	115.4	3.3	3.3	2.45	5.25
Owens & Minor	OBOD	18.13	16.63	16.63	-.63	-3.62	18.38	9.50	-.33	-1.17	5.10	-37.84	1.14	.19	F	20.0	18.0	1.2	14.6	.28	1.7	09-10-85	367.3	4.4	3.0	5.35	8.54
Manufacturer's transactions																											
Abbott Labs	ABT	69.13	66.00	66.63	-1.88	-2.74	72.00	48.38	-.24	-.73	-.37	-10.97	3.88	.54	F	16.2	18.0	13.8	17.2	1.40	2.1	01-09-86	3360.3	465.3	1.9	3.91	13.33
Am Home Prod	AHP	71.75	68.50	69.25	.75	1.09	71.75	54.75	.21	-1.10	-.96	-3.75	4.70	.31	F	7.1	11.0	15.3	14.7	3.10	4.5	02-07-86	4684.7	717.1	3.4	.26	13.74
Baxter Travenol	BAX	18.38	15.25	17.75	2.38	15.45	18.38	12.38	-.17	2.12	2.19	-1.69	.21	-1.06	N	-82.8	-25.0	1.6	80.7	.40	2.3	03-11-86	1800.4	29.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	25.00	22.50	25.00	1.50	6.38	25.00	14.81	.24	.03	-5.15	-1.52	1.70	.22	N	13.6	12.0	10.5	13.6	.50	2.0	02-25-86	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	18.00	15.75	17.50	1.38	8.53	22.63	12.00	-.05	1.70	-.41	27.29	.61	.10	N	17.2	22.0	18.2	25.7	.03	.2	08-06-85	29.1	5.3	7.5	.00	3.70
Bristol-Myers	BMY	68.38	62.63	66.25	2.88	4.54	68.50	53.63	-.02	-.08	-.27	-9.60	3.86	.41	F	11.9	14.0	12.0	17.2	1.88	2.8	12-27-85	4444.0	531.4	2.5	.75	15.63
Carter-Wallace	CAR	55.00	52.00	54.63	2.13	4.05	57.50	31.13	-.25	-.37	-2.50	11.92	2.66	.86	N	32.8	21.0	5.9	15.7	.60	1.1	02-10-86	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	30.38	29.25	30.13	.13	.42	32.50	17.38	-.03	-.43	2.38	-21.22	.73	.40	N	70.2	16.0	17.4	31.1	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	15.63	13.75	14.00	.00	.00	15.63	8.50	.33	-1.23	1.38	-10.51	.00	-.12	N	-85.7	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	13.75	11.75	13.75	.25	1.85	13.75	7.13	.50	1.58	2.18	31.82	.61	-.21	N	-33.9	47.0	14.6	33.5	.00	.0	09-09-85	151.1	22.1	3.4	2.52	1.60
Lilly Eli Co	LLY	57.63	53.88	56.50	1.88	3.43	57.75	37.50	.10	-.75	-2.55	-9.46	3.69	.31	F	9.2	11.0	15.8	15.3	1.80	3.2	02-07-86	3270.6	517.6	1.7	.81	15.52
Lee Pharm	LPH	12.75	11.38	12.75	.50	4.08	12.75	4.63	.93	2.03	-1.49	-7.89	.40	.17	Q	70.8	NC	6.6	31.1	.00	.0	00-00-00	12.2	.8	3.1	.00	2.49
Leiner P Nutri	PLIN	13.50	12.75	13.00	.25	1.96	14.38	8.25	.17	-1.10	-4.53	62.26	.78	-.10	N	-12.5	NC	4.1	18.6	.00	.0	00-00-00	53.6	2.2	2.5	.00	4.90
Marion Labs	MKC	59.75	54.50	57.38	-2.13	-3.57	60.25	26.00	.47	-.27	-.42	-9.72	.94	.42	S	55.3	38.0	12.2	48.6	.36	.6	03-14-86	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	152.50	141.50	151.25	8.75	6.14	152.50	98.25	.09	.47	-.98	11.27	7.58	.87	F	13.0	7.0	15.2	20.0	3.60	2.4	12-03-85	3547.5	539.9	2.0	2.48	35.29
Morton Thiokol	MTI	36.50	32.50	35.88	1.88	5.51	40.50	28.63	-.60	1.52	2.42	16.45	2.50	.37	S	16.0	22.0	6.7	13.4	.70	2.0	02-14-86	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	17.00	15.13	16.75	.25	1.52	26.00	13.50	-.41	.96	2.39	.06	.52	.41	N	100.0	71.0	23.3	20.4	.10	.6	12-27-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	14.38	6.50	7.63	-3.63	-32.22	14.50	5.63	-1.06	-15.23	10.72	46.39	.05	.00	S	NE	NC	6.7	NE	.80	10.5	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	15.25	14.25	14.25	-1.25	-8.06	23.25	11.75	-.88	-1.69	.35	2.25	.47	.00	Q	.0	76.0	14.1	29.7	.00	.0	00-00-00	21.3	3.0	2.2	.92	2.33
Pfizer Inc	PFE	53.25	49.75	52.75	2.88	5.76	56.25	39.63	-.01	-.17	-2.28	-2.77	3.44	.36	F	11.7	16.0	14.4	15.3	1.64	3.1	01-27-86	4024.5	579.7	2.3	2.10	15.45
Reid Prov Labs	REID	10.50	7.50	10.50	4.25	68.00	10.50	4.00	1.66	.39	12.31	61.73	.13	.06	S	46.2	28.0	6.0	55.3	.04	.4	12-06-85	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	13.88	12.88	13.00	-.63	-4.59	23.13	5.50	.06	-1.46	-2.47	-17.97	2.53	20.97	F	NE	NC	8.7	5.1	.00	.0	11-19-84	706.1	61.4	1.7	.47	-5.23
Rorer Group	ROR	34.38	32.50	32.75	-.75	-2.24	47.00	28.63	-.76	-.89	-3.10	26.10	1.72	-.36	F	-17.3	2.0	10.9	19.0	1.12	3.4	02-04-86	338.1	36.8	1.9	2.18	11.07
Scherer RP Co	SCHC	16.38	13.25	13.25	-2.75	-17.19	16.50	9.50	-.43	-.82	2.43	-58.92	-.43	-.96	S	-100.0	NC	-2.0	NE	.32	2.4	12-09-85	167.4	-3.4	1.7	4.07	9.72
Squibb Corp	SQB	84.25	80.25	83.50	2.75	3.41	85.00	52.00	-.24	.37	-3.71	-17.05	4.20	.52	F	14.1	25.0	11.1	19.9	1.76	2.1	02-14-86	2041.7	226.6	2.3	3.74	24.87
Sterling Drug	STY	41.50	39.50	40.00	-1.13	-2.74	41.50	27.75	.06	-1.10	-.30	-21.48	1.83	-.54	F	-22.8	-1.0	6.3	21.9	1.20	3.0	02-12-86	1753.7	109.7	2.6	1.32	15.34
Syntex Corp	SYN	50.13	45.50	49.25	1.00	2.07	50.13	26.94	.32	.69	-.46	4.37	2.33	.55	Q	27.5	15.0	15.8	19.3	1.20	2.4	12-16-85	948.5	150.0	2.1	2.68	9.40
Thompson Med	TM	14.88	13.88	14.25	-.38	-2.56	18.13	11.75	-.33	-.07	.20	-9.85	1.18	-1.02	F	-46.4	10.0	8.1	12.1	.40	2.8	12-23-85	136.8	11.1	4.3	.00	7.09
Upjohn Co	UPJ	150.88	132.88	148.25	15.75	11.89	150.88	75.75	.25	.65	-2.38	-2.35	5.67	.39	N	6.9	1.0	8.0	24.5	3.04	2.1	04-01-86	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	48.50	46.00	47.88	1.63	3.51	49.38	33.75	-.24	-.38	.50	-7.25	2.81	.27	N	9.7	7.0	7.1	15.7	1.56	3.3	02-03-86	3166.7	223.9	1.7	6.47	18.18

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS

'Let's hurry before our parents start parading in the streets!'

Grown-ups gear up for Halloween parade

The expected emphasis on adult Halloween costumes should translate in the upcoming season into higher average tickets and category sales and 10% gross profits increases at drug stores.

Newly introduced costumes by such vendors as Ben Cooper, Topstone, and Fun World will retail at about $7 and will be the core of an emerging category: full adult costumes, accessory kits, and upgraded makeup for teens and adults.

Retailers who lacked space to carry $20 adult costumes that require full-view hanging for effective display can peg these new models, which are blister-packed, with headers and costume pictures.

The adult items, which include accessory lines for mix-and-match costume creations, are expected to raise retail margins beyond those of licensed children's costumes, buyers said.

Gross margins are typically 35% to 50%—and 25% to 30% on promotion—compared with licensed characters every day 35% to 40% margins.

Buyers are also focusing on new hairsprays with glitter and fluorescent properties, and wigs.

In line with the trend toward costume creation by the customer, full and pullover masks have been on the wane, buyers said; half masks are most popular because they show off face makeup.

Licensed items are still strong sellers for children, with key sellers in the past season being characters based on the current popular toys, including Wuzzles, Transformers, Hugabunch, G.I. Joe, He-Man and She-Ra.

Retailers said the adult supplies in some stores will require advertising to be successful, since other retail outlets are featuring the products. As an example, New York's Austin Drugs may have lost sales in adult costumes last year when Sears ran its own major promotion, according to Marty Milman, Austin's head buyer.

In spite of space limitations, Austin is committing to another year of adult accessory packs, with eye patches, false noses and bunny ears.

"More and more adults are going to parties. They're becoming children again," said Milman.

Gobblin' candy no longer just for kids

Halloween isn't just for kids anymore.

Adults who began throwing home parties to protect their kids from real-life ghouls are getting more into parties themselves.

That means they're eating the candy they're buying. For the coming season, that will be major brands such as M&M/Mars, Hersheys and Fleer at less than $2 a pound.

Shoppers want branded quality and value in bagged candies, while they buy to create varied assortments at home.

To Bob Pontes, an Adams Drug buyer, "99¢ is the magic number." He said candy at 99¢ and above sold the best last Halloween—such as Reese's 10-pack at $1.29, and Tootsie Rolls.

Customers are "very price-conscious," but they won't settle for poor quality, he added.

Adams will promote brands again this year, while avoiding premixed assortments that sell below $1.

Buyers are also emphasizing branded products to avoid being caught with unsold seasonal merchandise and packaging after the holiday. "I've eliminated a lot of vendors, and we're staying with the major brands. I won't touch Halloween packaging, because the day after Halloween, you can't sell it," said Kinney buyer Jerry Houghton.

Buyers for the most part expect little or no price increases on bag candy from manufacturers, because vendors have already boosted their revenue by upping the price of single bars 5¢ this year—and because buyers believe price hikes won't wash with the public.

Standard will promote bagged candy in its fifth annual Chocolate Festival promotion, which will be supported by radio advertising for the first time in 1986, plus prize drawings.

Other chains will also fortify ads and promotions to help produce anticipated 8% to 10% sales growth over last year.

Adams, for instance, will launch its Halloween promotion a month earlier, with store displays out by the last week in August, to capture sales from back-to-school traffic, said Pontes.

Candy shipments grow
(in thousands of pounds)

	1984	1983
Chocolate and chocolate-type	2,257,141	2,178,189
Nonchocolate	1,816,169	1,699,921

Source: U.S. Department of Commerce

We're eating more candy
(per capita consumption, in pounds)

1984	18.9
1983	17.9
1982	16.7
1981	16.1
1980	16.1

Source: U.S. Department of Commerce

MERCHANDISING TRENDS

Action figures flex muscles

Buyers at the recent Toy Fair in New York came back with one message: Last year's hot items are being copied at a rate almost too rapid to absorb into the retail pipeline. Action figures, in particular, are proliferating and making buyer selections tough.

Indeed, while toy industry sales grew 8% in 1985 to $12 billion, action figure and robot sales soared 66% to $1.56 billion.

Buyers expect both growth trends to continue in 1986, and manufacturers' offerings reflect this.

Many major manufacturers are offering action figures resembling LJN's Wrestlers and Mattel's Masters of the Universe. Kenner has its Super Powers collection, plus a Chuck Norris Karate Kommando line; Coleco has its Rambo line. New Transformer-like robots that resemble Tonka's GoBots are being supported by television shows and heavy advertising budgets. Kenner has introduced Centurions—figures that the company boasts combine "men and machine into a sophisticated weapon system"—and Hasbro is showing its Inhumanoids.

While most action toys are directed at boys, Mattel's still-popular She-Ra action figures are a notable exception to this trend—as are Matchbox action dolls and Women of Robotech.

A particularly interesting entry, which offers girls a role model, is Hasbro's Jem. She has a dual identity as president of a music company by day and rock star heading a music group by night. This line even features a competing rock group.

For all these changes, however, Affiliated Drug Stores merchandise manager Richard Glassman said, "No doll can compete with Barbie," who today is also portrayed as a rock star and an astronaut.

Equally skeptical, one West Coast drug chain buyer said rising prices and a lack of overall manufacturer originality will prompt him to "turn back to basics with a few exceptions." His exceptions are Snoopy, Charlie Brown and Mother Goose talking plush dolls from Worlds of Wonder.

Glassman said buyers are tending to be more cautious in their selection of licenses. They want licenses that are already established household names, such as Disney, to avoid "dead merchandise" and markdowns, he said.

But those choices are getting tougher. Licenses are multiplying at a rate that would embarrass rabbits and are being backed by expensive advertising campaigns and full-length TV shows.

The hype does hold appeal for some buyers, however, such as Ed Wood of Los Angeles-based A. D. Clark. He said about 50% of his toy line will be licensed toys in 1986.

Wholesale sales of toys
(in millions)

	1985	1984	% Change
Action figures,dolls, accessories	$3,108	$2,466	+26
Infant, preschool	816	739	+10
Nonriding transportation	695	784	−11
Games, puzzles (nonelectronic)	642	1,043	−38
Sports, outdoor toys	457	419	+ 9
Arts, crafts, models	375	391	− 4
Riding toys (excluding bicycles)	283	285	− 1
Role-playing toys	253	269	− 6
Totally electronic games	235	164	+43
Miscellaneous activity toys	290	275	+ 5
Remaining miscellaneous	1,531	1,435	+ 7

Source: Toy Manufacturers of America estimates

Surprising facts

- Parker Brothers is the largest housing developer in the world, having constructed more than 2.88 billion little green houses for its Monopoly game in 50 years.
- Yo-yos outnumber Americans. More than 500 million Duncan yo-yos have been sold in the U.S. since being introduced in 1929.
- The toy industry produces more than 150 million cars annually—nearly 19 times the number sold by domestic car dealers in 1984.
- Since 1982, more than 70 million Masters of the Universe action figures have been sold worldwide.
- There are 3.2 billion possible word combinations that can be made of the basic seven-letter unit in Scrabble.
- The largest manufacturer of women's wear in the world is Mattel. More than 20 million Barbie fashions are sold annually.

Source: Toy Manufacturers of America

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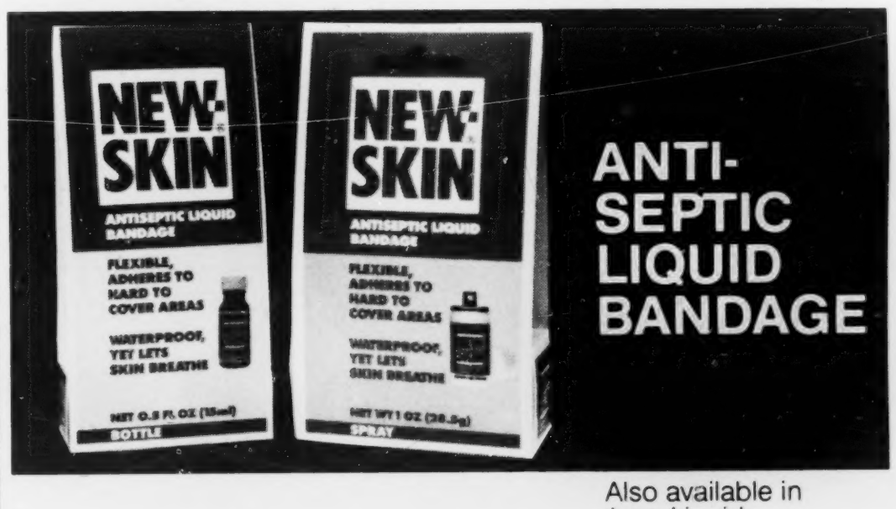

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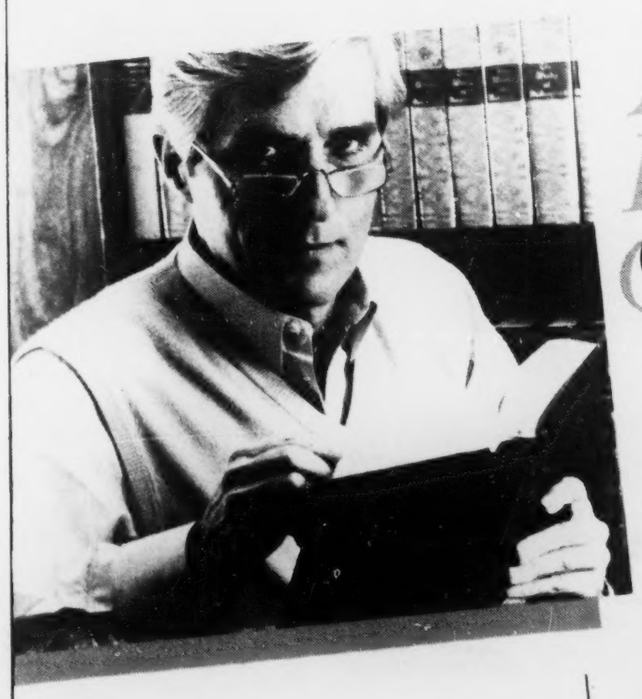

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INSIDE PHARMACY

Top 10 Products in U.S. Pharmacies
($ in millions)

1985 Rank	1984 Rank	Product	Manufacturer	1985	1984	% Change
1	1	**Tagamet**	SK&F	$397.9	$369.9	+ 8
2	2	**Inderal**	Ayerst	371.5	350.8	+ 6
3	12	**Zantac**	Glaxo	290.2	176.3	+65
4	3	**Dyazide**	SK&F	281.9	259.1	+ 9
5	10	**Tenormin**	Stuart	253.1	181.2	+40
6	6	**Feldene**	Pfizer	240.5	207.9	+16
7	5	**Valium**	Roche	234.6	219.5	+ 7
8	4	**Ortho-Novum**	Ortho	233.3	232.9	—*
9	8	**Naprosyn**	Syntex	231.5	200.3	+16
10	9	**Keflex**	Dista	210.7	190.0	+11

Source: Pharmaceutical Data Services *does not include Ortho-Novum 777

PDS data reveal

Script sales up 8% in '85

By Marjorie Shaffer

NEW YORK — On the heels of dramatic price increases, the 1985 retail prescription market bounced up 8% to $14.7 billion (acquisition cost) from $13.6 billion in 1984, according to Pharmaceutical Data Services, a Phoenix, Ariz.-based subsidiary of McKesson Corp.

At a financial analysts' meeting held here last month, PDS executives discussed the state of the retail pharmacy prescription market and offered the latest industry statistics. The statistics were culled from more than 1,100 pharmacies in 38 states, accounting for five million raw scripts per month.

According to PDS, the top-ranked drug in pharmacy sales was Smith Kline & French's Tagamet, registering an 8% increase in 1985 to $397.9 million from $369.9 million in 1984. (All product figures represent acquisition costs to pharmacies.) However, the star performers were Glaxo's Zantac, registering a whopping 65% sales increase to $290.2 million from $176.3 million in 1984. The antiulcer drug ranked as the third-top-selling Rx drug in 1985, up from its No. 12 ranking in 1984, said PDS.

Another stellar performer in 1985 was Stuart's Tenormin, ringing up a hefty 40% sales increase to $253.1 million from $181.2 million in 1984. The beta blocker moved up five notches in 1985 and ranked as the fifth-best-sell-

*See **Script**, page 22*

APhA to debate Rx pricing at annual meeting

WASHINGTON — Proposals for controversial new legislation barring drug manufacturers and wholesalers from setting varying prices for prescription drugs are up for debate by APhA's House of Delegates this month.

Under the new policy recommended by the association's Committee on Public Affairs, APhA should "actively seek enactment of legislation to eliminate manufacturer and distributor differential pricing of prescription drugs."

APhA would also seek separate legislation amending the federal Non-profit Institutions Act to eliminate the current Robinson-Patman anti-price-discrimination law exemption for hospitals, HMOs and other institutions that dispense drugs.

Support for such legislation will be one of 16 proposed APhA policies slated for debate during the association's annual meeting March 16-20 in San Francisco. Among others, APhA delegates will also vote on plans to support state regulation of pharmacy technicians, a broader role for pharmacists in drug postmarketing surveillance efforts, and increased enforcement by the Food and Drug Administration to eliminate counterfeit drugs and other "quack" remedies.

Price discrimination

In explaining the plan for legislation banning discriminatory Rx pricing practices, APhA's public affairs policy committee took special note of

*See **APhA**, page 22*

Buying group seeks to aid independents

SAN FRANCISCO — The red light is flashing for the independent pharmacy.

"Over 1,000 independent pharmacies close their doors every year," Ron Bowie, R. Ph., told a Bergen Brunswig-sponsored seminar on group buying and preferred provider organizations.

Bowie is executive director of Colorado Pharmacy Providers (CPP), a for-profit organization formed five years ago to stop this erosion by enabling independents to compete for third-party business.

The competitive pressure is accelerating, Bowie said, as provider groups sign more national contracts. A good example is AMICARE, the health care insurance arm of AMI (American Medical International), which has signed national contracts with Osco, Walgreens and Eckerd.

"In five or 10 years," Bowie said, "a handful of national HMOs will survive, and they will control the market."

That is why CPP has entered a joint venture with Legend Pharmacy, a New York-based co-op in seven states. Said Bowie, "This is the first step in developing a national network of independent pharmacies."

Even though price seems to be the overriding consideration in third-party contracts, Bowie said there are other important factors: geographic distribution (convenience to members), quality, service, delivery, patient profiles and counseling. "Our 200 pharmacies have it over the chains in geography by two to one," Bowie said. That, he added, helped CPP get a third-party contract even though King Soopers was the lowest bidder.

*See **Buying**, page 26*

There's got to be a better way than capsule pullout

Cohen's Capsules

Harold Cohen, R.Ph.
Pharmaceutical Editor

For the second time in about four years, this country's users of Tylenol were put on notice that the product they were taking could be laced with a deadly poison.

And, once again, much of the reaction from Johnson & Johnson, health professionals and consumers was predictable, with one major difference. This time, J&J announced it would never again produce its products in a capsule-dosage form, an action I believe could have a profound effect on the pharmacy profession.

What bothered me during the entire Tylenol ordeal was that little media attention was given to the behind-the-scenes effort by thousands of pharmacists across the country.

Pharmacists had to field questions from hundreds of anxious customers and take back scores of bottles. As a former retailer, I just want my colleagues to know, your efforts did not go unnoticed by this reporter.

I can appreciate the havoc caused in pharmacies across the country on hearing, once again, that bottles of Tylenol may have been tampered with. Because, you see, I, too, experienced the trauma of facing dozens of customers during the first Tylenol incident in 1982.

I remember dealing with phone calls from worried customers and trying to minimize their fears. I also faced customers demanding a refund for every bottle of Tylenol in their medicine cabinets, and then waited weeks for my reimbursement. And yes, I can even remember hearing from the "out-of-the-woodwork" bunch that always surfaces during crises.

I did all this while trying to fill prescriptions and counsel patients as part of my day-to-day business.

Can you imagine the impact on the profession if other pharmaceutical companies decided to follow J&J's lead and pull off *all* capsules from existing inventories? The very thought of it sends chills up my spine.

While I realize the frustrations J&J experienced during the entire ordeal, I think discontinuing capsules altogether was a bad call.

To me, the announcement that no more capsules would be made because their safety could not be assured is tantamount to saying that any capsule currently on shelves could be the target of a tampering attempt. I think pulling capsules out of a product line is a bit of overkill. Let's face it, somebody who really wants to poison someone will find a way, regardless of whether capsules are on the shelves.

Instead, I think J&J should have thought of some suitable alternatives in presenting its capsules to the consumer. Perhaps a unit dosage form where capsules would have to be punched out. Any tampering would be obvious to the customer.

To me, J&J's decision to pull out of the capsule market because it cannot assure their safety is just too much for me to swallow.

APhA

Continued from page 21

the "newly spotlighted 'drug diversion' activities of many nonprofit hospitals which have been revealed in hearings" held last year by the House Investigations Subcommittee, headed by Rep. John Dingell (D-Mich.).

According to the APhA committee, "These diversion activities not only foster increased discriminatory pricing for pharmaceuticals among community pharmacies; they raise serious questions about the safety and efficacy of drug products that flow into, around and out of the 'diversion market.'"

Cites court case

The proposed policy of seeking a legislative remedy to the price discrimination exemption for hospitals, HMOs and other groups that dispense drugs was triggered by a recent U.S. court decision, *DeModena v. Kaiser Foundation Health Plan*, according to the public affairs committee. The court ruled that "with the exception of dispensing to mere 'walk-in' patients," the Kaiser HMO "exists and operates as a charitable institution within the meaning of the (Nonprofit Institutions) Act."

According to APhA, the precedential ruling that the U.S. Supreme Court declined to review "puts in focus the magnitude of the issue for pharmacy."

"Potentially, the growth of HMOs and other competitive health care systems, with the benefit of nonprofit institution drug product pricing, threatens the very existence of community pharmacy," they said.

'Quack therapy'

Addressing efforts of the FDA and FTC to eliminate "quack therapy," the committee proposed that APhA support efforts to "require the listing of all active ingredients of a food as drug or drug product in written promotional and advertising material." The committee also said that the FDA definition of a quack as anyone who promotes a false or unproven remedy for profit could be applied to pharmacists "who knowingly" sell products known to be "ineffective or of questionable value."

APhA's Scientific Affairs Committee reaffirmed the group's 1982 policy supporting the participation of pharmacists in postmarketing surveillance for approved drugs. Citing a 1985 FDA report that finds pharmacists, like physicians, submit only "sporadic reports" on adverse drug reactions, the committee recommended development "of a strategy to actively pursue a joint program with FDA" to increase the pharmacist's role.

Measuring competence

The policy report of the Educational Affairs Committee recommends that the "supervisory ratio" of pharmacist to pharmacy technician be set by each state Board of Pharmacy. In a separate recommendation, the committee said APhA "should assist states in finding ways to measure [pharmacists'] competence against established standards." A third Education Affairs recommendation supports "voluntary inclusion" of Reye's syndrome warnings on aspirin-containing products.

Other committee recommendations include:

- Involving children in investigations of appropriate safeguards for drug products.
- Enforcing laws on athletes' use of performance-enhancing drugs.
- Developing education programs on risks associated with designer drugs.

Script

Continued from page 21

ing Rx drug last year. It accounted for 38% of the $191 million increase in the beta blocker market.

But perhaps the biggest success story last year was Upjohn's Xanax, up a crackling 85% to $152.4 million from $82.2 million in 1984. It ranked as the 14th best-selling Rx in 1985, up from its 29th ranking in 1984.

Generics available

PDS pointed out that 8 of the top 10 most frequently dispensed Rx drugs are now available as generics, and in the markets where the stakes are high, the generics are gaining.

For example, the total number of scripts for propranolol has risen steadily since August 1985, from zero to over 500,000. In contrast, scripts for Inderal have steadily, albeit slowly, declined from about 2.3 million in July 1985 to under two million by December 1985. And in the ibuprofen market, PDS pointed out, generics have already surpassed Rufen in new prescriptions and are now gaining on the top-selling Motrin in this market.

Shakeouts?

Overall, the $722 million antiulcer market appears to be primed for some interesting developments, said Jon Benson, PDS's president of sales and marketing. He noted that total scripts for SKF's Tagamet were down 6%, while scripts for Zantac were up 41% and for Marion's Carafate, 46%.

In the antiarthritic market, a $1 billion market, generic competition pushed Motrin's market share down 6 share points, and the drug captured only 11% of the market, down from 17% in 1984. And 1985 sales decreased 30% to $119.8 million. Pfizer's Feldene gained 3 share points, capturing 23% of the market and $240.5 million in sales, up 16% over 1984. Naprosyn claimed a 22% share in 1985 on sales of $231.5 million, up 16% over 1984.

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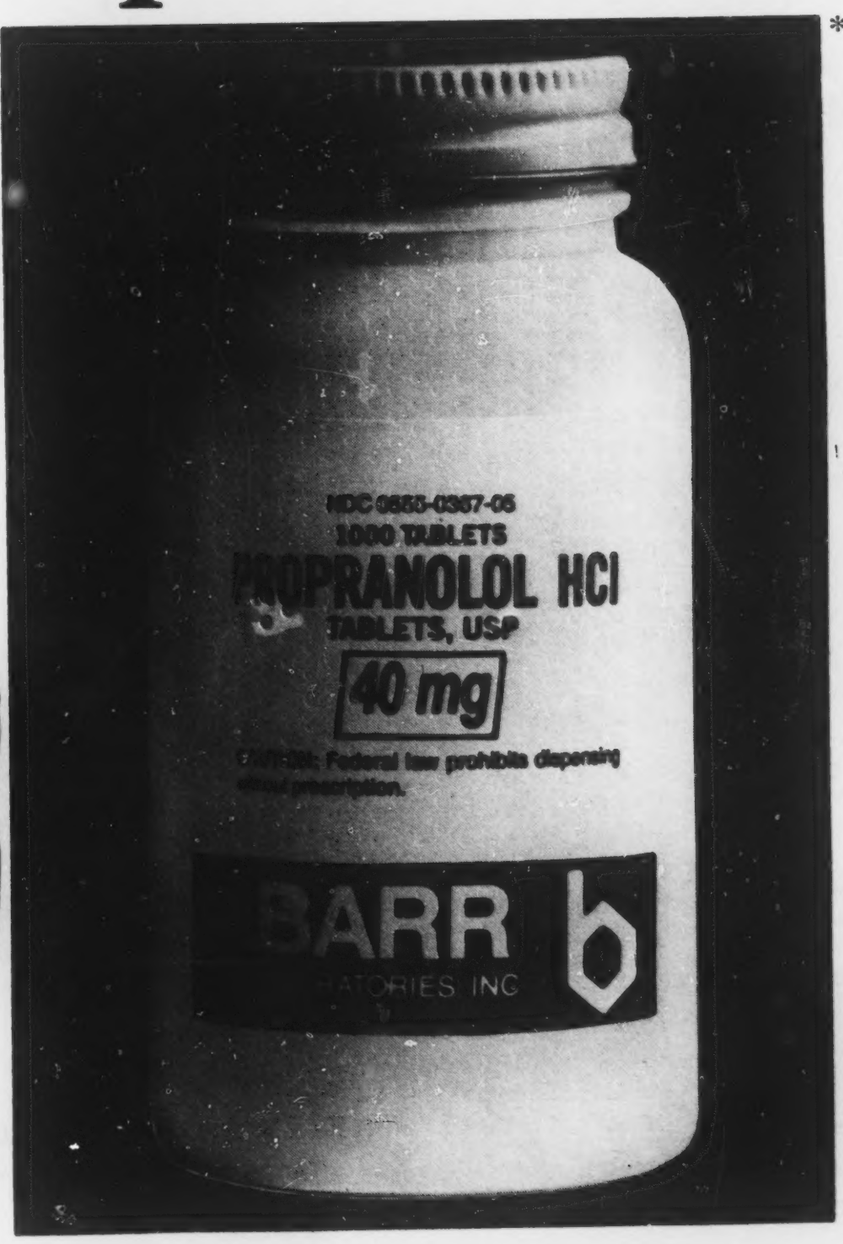

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